Saskatchewan Milk Control Board Update

September 15, 2010

CHAIRMAN'S MESSAGE – BLAINE McLEOD

As I reflect on the growing season we have experienced, and are still enduring, it is unusual to say that all of Saskatchewan is affected by the same weather in such a significant way. Flood-like conditions have been the normal pattern for many regions (some much worse than others) and now as harvest begins another lengthy wet spell has stalled all of the field activity. Our resilience as farmers is definitely being put to the test. The wet weather and the resulting poor feed quality is going to further exacerbate our low production problems. Saskatchewan production is at -2.00% within our CDC allocation flexibility limit based on the Continuous Quota model. Our recent special producer meetings provided a good opportunity to consult with producers regarding this very significant issue. We appreciate very much the attendance of each one who took the time to come. Your involvement and feedback was excellent. Based on this consultation and the discussion at our recent SMMB board meeting, we have made some changes to our continuous daily quota policy. We anticipate that the changes will enable increased production by those who will have the capacity to produce the milk at this point in time. As indicated in the latest producer notice, the lower flexibility limit has been reduced from -30 days to -20 days. Additionally, the 15% transfer out credit limit has been suspended until the end of March 2011. It is essential that each of us strive to fulfill our production requirements and when the under production credits build that they are transferred in a timely fashion to producers that are able to use them.

Our industry is strong and will be able to respond to the challenges of this low production cycle. Each of us will need to analyze our feed rations and make the necessary changes to improve our production and profitability. Professional help is readily available in many different forms. Let me encourage you to enlist the help of your veterinarian, nutritionist, feed company representative, and any other resource that could help you identify and understand the changes that could be made to improve cow health and production. Sometimes it is a relatively small change that can yield significant results. The challenge to increase our production is before us and I know that we will rise to the occasion.

I want to conclude this month's message by providing a short progress report regarding the move to a marketing board. The transition is moving towards an implementation date of October 1, 2010. You will have recently received a letter calling for nominations for the position of directors for the new board. I would encourage your active involvement in this election process. The election of a board of directors will complete the process of having a democratically elected marketing board that will be responsible for all regulatory functions in our industry. Those that will be elected will lead our new organization into a very challenging but rewarding future. Our dairy industry will benefit by having a strong slate of candidates elected by a high percentage of votes cast. Please be watching your mail and exercise your rights as members by returning your completed ballot.

QUOTA EXCHANGE

The market-clearing price established for the September, 2010 Quota Exchange was $24,000.00. The results of the Quota Exchange are outlined in the following Table.

The next Quota Exchange will be held on October 15, 2010. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, October 6, 2010. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange. Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is set at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.

SEPTEMBER 2010 QUOTA EXCHANGE RESULTS

Market Clearing Price per kilogram of butterfat		**$24,000.00**
Daily Kilograms offered to Purchase		**120.83**
Kilograms offered to Sell		**36.29**
Kilograms sold		**19.83**
Number of Producers		
- offered to purchase	**8**	
- purchased quota	**5**	
- offered to sell	**6**	
- sold quota	**2**	

SEPTEMBER 2010 QUOTA EXCHANGE CLEARING PRICE RESULTS

Price ($/daily kg b.f.)	No. of Sellers	Cumulative Sellers	Daily Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Daily Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
21,900.00	0	0	0.00	0.00	-120.83	120.83	4.00	8	1
22,082.50	0	0	0.00	0.00	-116.83	116.83	45.00	7	1
23,725.00	2	2	24.10	24.10	-47.73	71.83	0.00	8	0
23,761.50	0	2	0.00	24.10	-47.73	71.83	52.00	6	1
24,000.00	**0**	**2**	**0.00**	**24.10**	**4.27**	**19.83**	**4.00**	**5**	**1**
24,090.00	0	2	0.00	24.10	8.27	15.83	5.00	4	1
24,400.00	1	3	2.19	26.29	15.46	10.83	0.00	3	0
24,800.00	1	4	2.00	28.29	17.46	10.83	0.00	3	0
25,000.00	0	4	0.00	28.29	17.46	10.83	4.00	3	1
25,600.00	0	4	0.00	28.29	21.46	6.83	2.83	2	1
26,300.00	0	4	0.00	28.29	24.29	4.00	4.00	1	1
27,500.00	1	5	1.00	29.29	29.29	0.00	0.00	0	0
28,468.00	1	6	7.00	36.29	36.29	0.00	0.00	0	0

HOW TO BUY OR SELL DAILY QUOTA ON THE EXCHANGE

With the change from annual quota to a daily quota, there are some changes to submitting bids on the Quota Exchange. There are two steps to convert your bid, whether buying or selling, from annual to daily quota. For the purposes of this example, an annual quota bid of 3,000 kgs of butterfat at $60.00/kg will be converted to a daily quota bid.

Step 1: Convert annual kgs of butterfat to daily kgs of butterfat.
3,000 kgs ÷ 365 = 8.22 kgs/day (Daily Quota is calculated up to 2 decimal places)

Step 2: Convert bid to dollars per kg per day
$60 × 365 = $21,900.00

Therefore, the bid, whether buying or selling would be:

- 8.22 kgs/day at the price of $21,900 to obtain an equivalent bid of 3,000 kgs at $60/kg under the annual quota policy.

The monetary value of this bid would be:
8.22 kgs/day × $21,900/kg = $180,018

TRANSFER CREDIT SUMMARY REPORT

MONTH	# OF PRODUCERS TRANSFER IN	# OF PRODUCERS TRANSFER OUT	TOTAL KGS BUTTERFAT
August 2009	1	1	422
September	16	14	16,407
October	13	13	13,416
November	19	19	26,752
December	19	26	24,684
January/2010	14	14	17,760
February	11	12	10,421
March	8	9	4,251
April	21	14	15,941
May	16	12	16,293
June	17	14	17,870
July	12	9	7,641
August	7	7	6,926

SUMMARY REPORT OF CREDITS AS OF August 31, 2010 – 191 PRODUCERS

DAYS	# OF PRODUCERS	POSITIVE CREDITS ACCUMULATED (KGS OF BUTTERFAT)
+10	0	0
+ 5 to +10	12	11,317.07
0 to + 5	31	9,049.92
TOTAL	43	20,366.99
DAYS	**# OF PRODUCERS**	**NEGATIVE CREDITS ACCUMULATED (KGS OF BUTTERFAT)**
-30	10	-15,500.00
-25 to -30	5	-20,807.36
-20 to -25	12	-21,086.70
-15 to -20	14	-27,560.32
-10 to -15	15	-24,491.17
-5 to -10	43	-35,669.39
0 to -5	49	-14,679.94
TOTAL	148	-159,794.89

OVER QUOTA (OVER 10 DAYS) REPORT BY MONTH

MONTH	# OF PRODUCERS	BUTTERFAT
August 2009	5	588.48
September	7	922.57
October	13	4,466.11
November	13	2,682.50
December	14	3,267.51
January 2010	16	5,444.53
February	20	3,338.69
March	15	2,743.20
April	16	3,158.36
May	9	2,330.81
June	5	360.48
July	4	504.85
August	0	0

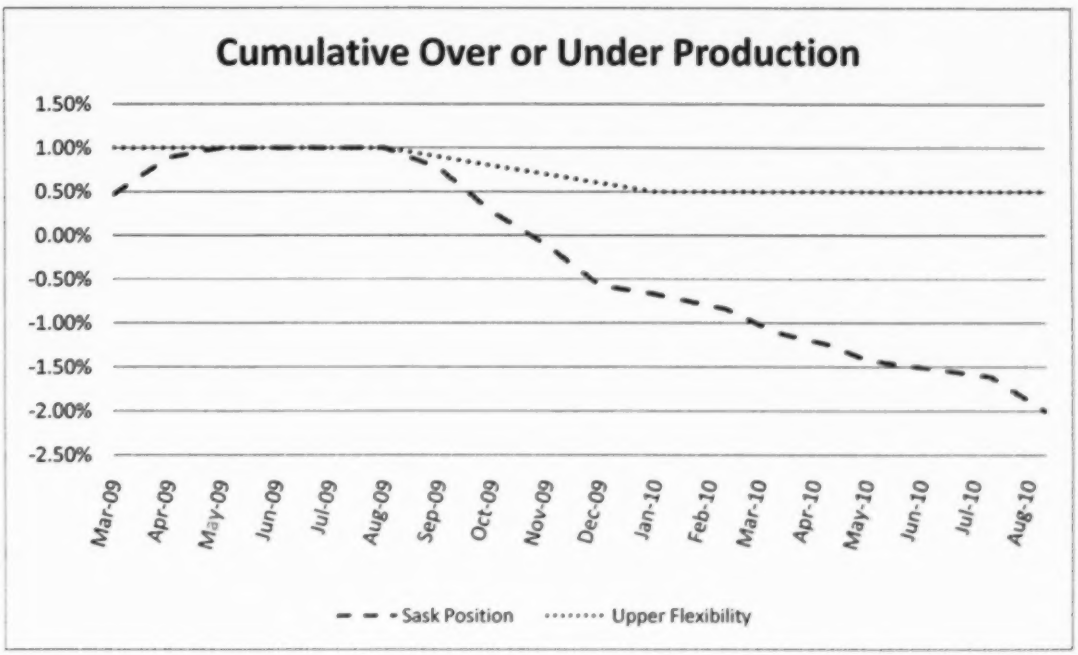
WEIGHTED AVERAGE COMPONENT TESTS & PRICES August 2010

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.6442	$11.358194
Protein	3.1972	$ 8.358194
Other Solids	5.6710	$ 1.178042

Based on the average component tests for the province, the average price received was $74.7945 per hectolitre. **The average butterfat price received per kilogram was $20.52.**

SASKATCHEWAN MILK POOL RESULTS August 2010

Milk Sale Revenue	$ 14,058,562.17
Western Milk Pool	$ 69,708.92
Dairy Farmers of Canada Skim Off	$ - 19,054.62
Plant of Last Resort Service	$ - 57,283.04
Total Pool Value	**$ 14,051,993.43**



PRODUCER TRANSFER CREDIT LIST

The Board will be maintaining a Producer Transfer Credit list to assist producers in transferring credits (in or out) with another producer.

Producers wanting to transfer credits (in or out) with another producer can contact the Board to have their name added to the Board's Producer Transfer Credit List. This list is posted on the Board website and is also available by weekly email or upon request by fax, email, or regular mail. The Board will also enclose the list with the monthly newsletter.

The transfer credit list will be updated on a daily basis as requests come into the office. Postings will be dated and kept on the list for two months. It is up to the producer to contact the Board to repost their name after the two month period is up, or to have their name removed from the list if it is no longer required. Producers may contact the Board at 787-5319 or 787-6457 for additional assistance.

In August, Saskatchewan had a monthly CDC allocation of **717,413 kilograms** of butterfat. In the month of August, Saskatchewan production was **-34,490 kilograms** of butterfat **under** and cumulatively **under** by **-172,192 kilograms** of butterfat. On a percentage basis, Saskatchewan is at **-2.00%** within our CDC allocation flexibility limits based on the Continuous Quota model. The -1.50% lower limit (up to -2.00% if the WMP is above -1.50%) is in effect August 2010.

	(1) Monthly Total Production Kgs bf	(2) Total Monthly CDC Quota Allocation Kgs bf	(3) Monthly Over or (Under) Production Kgs bf col. 1 – 2 = 3	(4) Lower Flexibility Limit **(1.5%)** Kgs bf col. 9 * -1.5%	(5) Upper Flexibility Limit **1.0%** Kgs bf col. 9 *1.0%	(6) Cumulative Over or (Under) Production with limits Kgs bf	(7) Cumulative Over or (Under) Production with limits in % col. 6 / 9	(8) Over Quota or (Lost Production Opportunity) Kgs bf	(9) Rolling 12 Month Total Quota Kgs bf
Aug-09	714,200	703,553	10,646	(130,198)	86,799	**86,799**	**1.00%**	10,727	8,679,854
Sep-09	682,235	702,484	(20,249)	(130,044)	78,026	**66,550**	**0.77%**	-	8,669,604
Oct-09	707,240	750,251	(43,010)	(129,817)	69,235	**23,540**	**0.27%**		8,654,437
Nov-09	690,742	723,613	(32,871)	(129,718)	60,535	**(9,331)**	**-0.11%**		8,647,851
Dec-09	723,022	763,216	(40,194)	(129,616)	51,846	**(49,525)**	**-0.57%**		8,641,040
Jan-10	718,404	726,215	(7,811)	(129,294)	43,098	**(57,335)**	**-0.67%**		8,619,609
Feb-10	646,894	662,212	(15,318)	(129,128)	43,043	**(72,653)**	**-0.84%**		8,608,523
Mar-10	714,037	735,808	(21,771)	(128,999)	43,000	**(94,424)**	**-1.10%**		8,599,939
Apr-10	694,816	707,608	(12,792)	(129,004)	43,001	**(107,216)**	**-1.25%**		8,600,248
May-10	708,117	722,125	(14,008)	(128,956)	42,985	**(121,224)**	**-1.41%**		8,597,078
June-10	684,369	694,478	(10,109)	(171,997)	42,999	**(131,333)**	**-1.53%**		8,599,843
July-10	697,489	704,201	(6,712)	(128,936)	42,979	**(138,045)**	**-1.61%**		8,595,753
Aug-10	682,923	717,413	(34,490)	(129,144)	43,048	**(172,192)**	**-2.00%**		8,609,623

(1) Monthly Production in Saskatchewan
(2) Total Monthly Quota = Class 1 sales + Monthly MSQ + Carry Forward
(3) Difference between the monthly production (1) and the total monthly quota (2)
(4) The Lower Flexibility Limit is -1.5% of Rolling 12 Month Total Quota (9)
(5) The Upper Flexibility Limit is 1.0% of Rolling 12 Month Total Quota (9)
(6) Previous Month Cumulative Over or (Under) Production + Current Monthly Over or (Under) Production (capped at lower or upper limit if applicable)
(7) Equal to Column (6) expressed as a percentage basis within the flexibility limits
(8) Over Quota or (Lost production opportunity) outside of flexibility limits
(9) Total Monthly CDC Quota Allocation for the previous 12 months

ACCOUNTING VALUES FOR CLASSES OF MILK October 2010

	Butterfat ($/kg)	**$ per hl. Skim milk)**	
Class 1a	$5.4000	$68.22	
Class 1b	$5.4000	$66.57	
Class 1c	**As approved by the Board**	**As approved by the Board**	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.5345	$5.6453	$5.6453
Class 3a	$7.5345	$13.1870	$0.8946
Class 3b	$7.5345	$12.9343	$0.8786
Class 4a, 4b, 4d & 4d(1)	$7.5345	$5.2469	$5.2469
Class 4a(1)	$7.5345	$2.60	$2.60
Class 4c	**As approved by the Board**	**As approved by the Board**	**As approved by the Board**
Class 4m	$1.1500	$1.1500	$1.1500
Class 5a	$4.6689	$5.1610	$0.3901
Class 5b	$4.6689	$2.2454	$2.2454
Class 5c	$4.7342	$2.0859	$2.0859
Class 5d	**As determined by**	**the Canadian Dairy**	**Commission**

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows or miscellaneous dairy equipment is welcome to contact the Board office at (306)787-5319. All prices and negotiations will be independent of the Milk Control Board.

Wanted – Quota & Cows to Purchase

- Wanted – cows and quota – Contact Don (306) 270-4700
- Wanted – Dairy Cows or bred heifers. Call anytime/leave message (604) 855-2731 or (306) 867-2176

Quota &/or Cows for Sale

- Two registered Holstein heifers for sale due August 25th. Contact Lloyd Sawatzky at (306) 239-4818
- Milk Cows for sale Milmore Farms Ltd. Contact Kees or Anna (306) 933-9485.

Equipment For Sale

- 3000 gallon Mueller HiPerform milk tank with cooling condensers and compressor. Contact Holstein Haven Ltd. (306) 228-2921 or (306) 228-3846.

- Alfa Laval Agri Maestro Double ten milking parlor made for double seven at present. Contact Holstein Haven Ltd. (306) 228-2921 or (306) 228-3846.

- 2000 gallon Delaval tank. Call James Hein (306) 365-3209

- Like new Knight Reel – Auggie 3250 Stationary Feed Mixer with 15' Conveyer & Electronic Scale – Phone (306) 280-6408

- - manure dumplids 4' x 8' - $400 each
  - 1 – 2,000 imp. gal poly water tank - $500
  - 160 cozy cow mattresses 64" - $25 each c/w heavy duty cover
  - various swing gates 4 and 5 bar, 10 to 14 ft.
  Call Frans @ (306) 826-5776 – home or (306) 823-7262 - Cell

- 2000 U.S. Gallon Alfa-Laval Milk Tank with cooling condensers and compressors. Contact Ferch Farms (306) 736-2205.

- Dairy Equipment for Sale: 1 18" x 10' belt conveyor; 6 Waikato milk meters; 6 Delaval milk machines with vacuum pulsators; Delaval vacuum pump with 7.5 hp motor. Contact Lloyd Sawatzky, Saskatoon, SK Phone (306) 239-4818. Cell (306) 281-2247.

- Conveyors, 2-14 ft x 18 inch, 1-42 ft x 18 inch; 2 – 6 inch electric augers, 10 & 14ft; Harvestore, Goliath and Hercules unloaders; Contact Leonard Blocka (306) 764-8439 or cell (306) 960-6608.

- 16 Waikato milk meters $250 each; 5,000 gallon new Delaval bulk tank, made in U.S.A. $50,000. Contact Corman Holsteins (306) 933-4608

Feed For Sale

- 500 Alfalfa bales for sale. Have test results. Contact Henry (306) 867-9156 (home) or (306) 867-7384 (cell). Outlook area.

- 1,400 forage hay bales for sale with test results at Ardill, SK (60 km. south of Moose Jaw). Contact Daniel Strom @ (306) 354-2635 or email dan-astrom@hotmail.com

- Pure Alfalfa hay for sale. 2010 crop – no rain. Protein 18.8 (Winnipeg test). Organic crop. Wt. average 1,650 lbs. Phone (403) 803-9117.

- 445 Alfalfa Brome Bales $60.00/ton – excellent quality; 347 medium quality $40/ton; 175 poor quality $20/ton. Phone Wayne (306) 847-4450 (home) or (306) 963-7792 (cell). Bales are located at Liberty, SK.

- Hay for sale: Alfalfa or alfalfa/grass…3,000 round bales. Contact Simon Mandel (403) 664-9525.

- 155 hard core 1000 lb bales of 95% Alfalfa for sale. 3rd year crop, no chemicals used. A bit rich for most horses and meat cattle. Good for dairy cows. Located in Bulyea, 1 hour north of Regina. Can arrange for loading. Contact Brenda @ (306) 725-3367.

- For sale: 70 second cut Alfalfa round bales. Net wrapped, no rain, 19.9 protein 1650 lbs. Call (306) 948-2395 Biggar, Saskatchewan.

- Alfalfa for sale. Contact Ron (306) 477-2570 or Ken (306) 374-8980.

- All Large square bales: Flax (awesome for wind break); Canola straw and Greenfeed. Call Jake Boot (306) 867-9926 or (306) 867-3899.

- 70 Bales 2nd cut Alfalfa RFV 150; Prot. 19.2; TON 62.8; $110/ton obo
  Phone (306) 493-2482 Delisle, Saskatchewan

- 2nd cut alfalfa round bales, net wrap. Est. 1400 lbs.; Analysis available; Protein 19.76%. Phone or fax (306) 228-3727; Unity, SK

- 6 quarters of hay/alfalfa available for long-term contract – you specify the preferred mix and handling. Ten minutes north of Estevan (306) 634-4382.

- 134 top quality 2nd cut alfalfa hay bales, very clean, all leaves intact. Call for more info. Taking offers (306) 276-2003 Nipawin

- Dairy Quality Hay 4 Sale – delivered. Contact Dale @ (204) 638-5581. Dauphin, Manitoba.

- 50 Acres Greenfeed barley for sale in Bellevue area (63 day barley seeded July 5). Fields are clean. Can sell standing or baled. Taking offers. Contact Andy Grenier at Home: (306) 423-5682 or Cell: (306) 233-7835.

Miscellaneous

- Hoof Care Trimming. Modern one of a kind trimming chute. Cattle, horses, donkeys, llamas. 22 years trimming experience. Box 35, Moose Jaw, SK. Telephone (306) 694-4234; cell: (306) 631-8013.

- Young couple looking for full time work. We are both from Ontario and looking to relocate. I have 12 years of dairy and my wife has 4 years. Contact me at Pearsonfarms1@hotmail.com

Miscellaneous - Wanted to Purchase

- Used bulk tanks, all sizes. 300-600 preferred. Abe Buhr, 18 Westcott Bay, Brandon, Manitoba R7B 2V6 Phone (204) 727-3074.

Frequently Asked Questions

A list has been compiled of questions most frequently asked by producers.

When will I get my 4M dollars back?

The following condition must have been met to get back the 4M dollars held by the Board: ***When July 31, 2010 production is reconciled, a producer must be at or below zero cumulative kgs of butterfat.*** If a producer is still at positive credits or positive credit days, **no 4M dollars will be refunded.**

These dollars will be added into the September, 2010 month-end pool and paid out by October 15, 2010. All producers will share in these dollars.

What is the maximum amount of transfer credits that I can transfer out in a 12 month period?

Effective September, 2010, to March, 2011 the 15% transfer out credit limit in a rolling 12 month period has been suspended. There is no limit on the % of transfer credits that can be transferred out over the next seven months, however, the restrictions on the amount that can be transferred out on a monthly basis still apply. (REFER TO THE NEXT QUESTION)

What is the maximum amount of transfer credits that I can transfer out in a month?

The maximum transfer credits a producer can transfer out in a month are equal to what the producer's cumulative under position was in the previous month. You can only transfer out to a cumulative position of zero credits.

What is the maximum amount of transfer credits that I can transfer in?

There is no limit to the amount of credits that can be transferred in within a rolling 12 month period. The only limit when transferring in credits would be to not drop below the -30 credit day limit **(-20 credit days effective the end of November)** at the end of each month or you will have lost the opportunity to carry-forward those credits to produce that milk in the future.

Will my credit position change on August 1, 2010 if I was in a pre-fill position with 4m dollars being withheld and do not achieve a cumulative credit position of 0 days or less by July 31, 2010, thereby forfeiting those 4m dollars?

No, your credit position will not change; you are still responsible for dealing with your positive credits.

What happens to my negative credits that I have accumulated if I exit the industry (sell out)? What if I stop shipping milk before the quota transfer date?

When selling out, your daily quota (TPQ) is transferred to the purchasing producer using the Quota Transfer Form. Accumulated negative transfer credits are transferred using the Transfer Credit Form and may or may not be transferred to the producer purchasing your daily quota

depending on the deal that you have struck. The Board will calculate the final available negative credits accumulated.

If a producer ceases shipments at least one full calendar month prior to the quota transfer date, that producer may transfer 95% of the estimated negative transfer credits that would accumulate in the month that no milk was shipped for an effective date of the first of the same month. The final available negative credits, the remaining 5%, that would have accumulated prior to the transfer date will be calculated by the Board and be available for transfer.

For example, if a producer ceases shipping milk on August 31st with an effective sale date of October 1st, 95% of the estimated negative credits that will be accumulated in the month of September may be transferred for a September 1st effective date. In early October, the Board will calculate the final negative credit total and those negative credits may be transferred to another producer at that time.

What is the deadline for transferring negative credits if I exit the industry?

Producers who exit the industry will have the opportunity to transfer negative credits to other producers for a period of two months.

For example, if a producer exits the industry effective September 1st, that producer will have the opportunity to transfer any negative credits for the months of September and October. Any credits not transferred after that date will be lost. The deadline for transferring credits is the 20th of each month, therefore the deadline to transfer credits to another producer would be October 20th.

If my TPQ is reduced, either through a quota sale or quota reduction, and this causes me to exceed the +10 days cumulative position, what happens?

If a producer exceeds the +10 day limit as a direct result of a reduction in TPQ, that producer's TPQ will be capped at +10 days. No penalty will be assigned for exceeding the +10 day limit under this circumstance; however overproduction in the future will be penalized.

Are positive credit transfers permitted in farm splits?

No, positive credits cannot be transferred to another farm under any circumstance.

What is the deadline for transfer credits?

The transfer credit deadline for any month is by midnight of the 20th. For example any transfer credit forms in the Board Office on or before midnight of October 20th will be effective October 1st.

Where can I find producers wanting to transfer credits?

The Board will maintain a web page with producers wanting to transfer credits in or out. It will be updated on a daily basis as requests come into the office. Producers who do not have internet access can call the Board and have the information faxed to them.

Producers wanting their name posted on the web page can contact the Board. Postings will be dated and kept on the website for 2 months. It is up to the producer to have their name reposted after the 2 months or removed if they fill their requirement before the 2 month period is up.

INCENTIVE DAY CREDITS- Do incentive day credits change my cumulative position?

No. Incentive days credits do not change your cumulative position. In months where incentive day credits are available, first you fill your quota, then, if you are over your monthly quota the additional kilograms are applied against the incentive day credits. If your production does not exceed your monthly quota allocation you will not be able to use the incentive day credits.

You must use the incentive day credits in the month that they are available.

MILK CONTROL BOARD MEMBERS

Blaine McLeod - Chairman	Dairy Producer - (306) 756-2775
Dale Strudwick – Vice-Chair	Dairy producer - (306) 771-4186
Alvin Schultz - member	Dairy producer - (306) 254-4301

For further information, please contact the Saskatchewan Milk Control Board office.

1210-2500 Victoria Avenue Telephone (306) 787-5319
Regina, Saskatchewan S4P 3X2 Fax: (306) 787-1988
Website: www.smcb.ca email: info@smcb.ca